STATE OF MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS

FOR THE CITY OF SAINT PAUL

In the Matter of All Licenses Held by International Network Association, Inc., d/b/a Luxor Lounge, for the Premises Located at 719 Dale Street North in Saint Paul.

FINDINGS OF FACT, CONCLUSIONS, AND RECOMMENDATION

This matter came on for hearing on May 16, 2008, before Administrative Law Judge Kathleen D. Sheehy, in Conference Room 41 of the City Hall/Courthouse Building, 15 West Kellogg Boulevard, St. Paul, MN 55102.

Rachel Tierney, Assistant City Attorney, 400 City Hall, 15 West Kellogg Boulevard, St. Paul, MN 55102, appeared for the City of St. Paul's Department of Safety and Inspections (DSI).

Dao Hoang (Licensee) and Diem Nguyen, 719 Dale Street North, St. Paul, MN 55103, appeared for themselves without counsel.

STATEMENT OF THE ISSUES

- 1. On September 26, 2007, and September 29-30, 2007, did the Licensee:
 - (a) Allow the afterhours consumption or display of alcohol, in violation of St. Paul Legislative Code § 409.07; and
 - (b) Sell intoxicating liquor after 2:00 a.m., in violation of Minn. Stat. § 340A.504, subd. 2?
 - 2. On October 13, 2007, did the Licensee:
 - (a) Violate a condition of its license that required security to patrol the exterior of the premises on a regular basis between the hours of 8:00 p.m. and 2:00 a.m. to prohibit loitering; and
 - (b) Fail to take reasonable steps to stop persons from leaving the premises with alcoholic beverages, in violation of St. Paul Legislative Code § 409.26(b)(9)?

3. Should the City take adverse action against the licenses in the form of a fine in the amount of \$1,000.00 and revision and amendment of the conditions of licensure?

The Administrative Law Judge concludes that the alleged violations occurred and that the City may take the proposed adverse action against the licenses.

Based on the evidence in the hearing record, the Administrative Law Judge makes the following:

FINDINGS OF FACT

- 1. Dao Hoang is the owner and license holder of a business called International Network Association, Inc., d/b/a Luxor Lounge, located at 713 Dale Street North in St. Paul. From November 2006 until March 2007, Hoang and her husband. Diem Nguyen, managed a business called Over the Rainbow at that location, pursuant to a management agreement with the license holder. On March 21, 2007, the City Council approved the licenses for Luxor Lounge. Luxor Lounge now holds the following licenses: Restaurant (3), Entertainment (B), Liquor On Sale—100 seats or less, Liquor on Sale—2 AM closing, Liquor On Liquor—Outdoor Sale—Sunday, Service Area, Gambling Location, Cigarette/Tobacco, and Alarm Permit.[1]
 - 2. The licenses are subject, in relevant part, to the following condition:
 - Condition 5: The license holder shall provide security to patrol the exterior of the premises (including the parking lot) on a regular basis between the hours of 8:00 p.m. to 2:00 a.m. to prohibit loitering. [2]
- 3. State law precludes the sale of intoxicating liquor on licensed premises between the hours of 2:00 a.m. and 8:00 a.m. on any day that alcohol may be sold. The St. Paul Legislative Code prohibits the consumption or display of liquor upon licensed premises at any time when the sale of such liquor is not permitted. The City has interpreted this ordinance to mean that Licensees must stop selling alcohol by 2:00 a.m. but may permit customers half an hour (until 2:30 a.m.) to finish their drinks and leave the licensed premises. [5]
- 4. Luxor Lounge is located at the southwest corner of the intersection of Dale Street North and Minnehaha Avenue West. Luxor Lounge has a large parking lot that extends east and south to an alley about midway between Minnehaha Avenue and Van Buren Avenue. Malina's Sports Bar is located at the intersection of Dale Street North and Van Buren Avenue. Its parking lot extends north to the same alley that borders the Luxor Lounge parking lot. The neighborhood surrounding both bars is primarily residential, and the alley between their premises runs through this residential neighborhood.

- 5. Although the Luxor Lounge did very little business from March 2007 through August 2007, police records reflect a number of contacts concerning disruptive conduct by patrons. The Licensee allowed people to congregate in the parking lot, and during the spring and summer months it became a gathering spot for persons who were not necessarily paying customers of the Licensee. In this period of time, police made one DWI arrest and one arrest for possession of a firearm by a felon on the premises, and officers responded to calls concerning burglaries, a forcible rape, thefts, fighting, and assaults. Based on these incidents the Police Department began making "Proactive Police Visits" (PPVs). [6]
- 6. Beginning in September 2007, the Luxor Lounge became a popular late-night gathering place for the former clientele of Diva's Overtime Lounge. The Luxor Lounge suddenly became very busy.
- 7. From September through November 2007, the St. Paul Police Department and DSI received many neighborhood complaints about noise, garbage, public urination, traffic, fights, automobile thefts, assaults, and reports of shots fired in the vicinity of the Luxor Lounge. Many of the complaints about noise concerned the patio area. Callers maintained the Luxor Lounge patrons and music were loud and left broken bottles and glass outside. Police responded to calls concerning shots fired in the parking lot, fights, assaults, weapons, narcotics, driving offenses, robbery, and other disturbances. The owners cooperated with the police department in its investigation of crimes occurring on the premises, providing surveillance tapes when requested.
- 8. One neighbor who lived on Van Buren Avenue called the police between 150 and 200 times regarding the behavior of the Luxor Lounge patrons. In her experience, the problem hours were between 9:30 p.m. and 2:00 a.m., Thursdays through Mondays. In addition, she routinely saw large numbers of customers enter the premises at 1:45 a.m., and the parking lot was not usually cleared until about 3:00 a.m. Her back yard was south of the alley bordering the Luxor Lounge parking lot. She witnessed public urination and sex, many fights, noise, loud music, and was subjected to profanity directed at her when she asked patrons not to park in her yard. The music playing at the Luxor Lounge was frequently so loud that her family could not sleep. If they did fall asleep, they were frequently awakened between 2:00 and 3:00 a.m. by loud music being played in vehicles in the parking lot, where patrons were allowed to congregate before and after bar closing. She rarely saw security guards from the Luxor Lounge outside in the parking lot. [12]
- 9. Between September 18, 2007, and September 30, 2007, there were six police calls to the Luxor Lounge for disturbances/fights and one for aggravated assault with a gun. [13]
- 10. On September 26, 2007, at 1:59 a.m., Officer Adam Bailey stopped at the Luxor Lounge on a PPV. He did not go inside, but he observed that more

people were entering the bar after 2:00 a.m. than were leaving it. At approximately 2:45 a.m., customers began to exit the bar. [14]

- On September 29, 2007, at 1:55 a.m., Officer Bailey stopped at the Luxor Lounge again on a PPV. At 2:00 a.m, the parking lot was completely full, people were still entering the bar, and no one was leaving. There were no security guards or bar staff outside in the parking lot or on the patio. There was music playing on the patio, and the combined noise of the music and the patrons on the patio was loud enough to be heard by nearby residents. He entered the bar at about 2:15 a.m. and found it to be full, with many patrons holding full glasses or bottles of alcohol. He saw someone working behind the bar take money in exchange for a drink. He informed employees that they needed to close the bar. Some patrons were reluctant to leave because they had just purchased drinks. Others congregated in the parking lot because they were reluctant to drive out of the lot while the police were present. Officer Bailey called for assistance to clear the parking lot, and eight to ten additional squad cars responded. There were several verbal arguments and altercations among patrons as they exited the bar and the parking lot, but no physical fights. No citations were issued to customers or to the employee for after-hours service. [15]
- 12. On September 30, 2007, at 2:18 a.m., Officer Bailey responded to a call complaining that Luxor Lounge customers were being loud and drinking alcohol in the parking lot. At 2:20 a.m., there were approximately 20-30 people in the parking lot and on the patio. Music was playing loudly on the patio. Inside, the bar was still full. Police informed employees that patrons had to start leaving. Again, once people began to leave the bar, they congregated in the parking lot and were reluctant to drive away. Officer Bailey again called for assistance, and eight to twelve squad cars responded to help clear the parking lot. No citations were issued to customers.^[16]
- 13. On October 1, 2007, the Licensee removed all genres of rap music from the juke box. [17]
- 14. On October 10, 2007, the Licensee and members of the police department and DSI attended a community meeting with neighbors. The neighbors expressed their concerns about safety, noise, public urination in the parking lot, and the lack of security on the premises. The Licensee believes that much of the neighborhood hostility toward its customers is racially motivated. The owners are reluctant to make changes that might alienate their customers. They also believe the police blame them for problems caused by customers of Malina's. Nonetheless, they agreed at the meeting to make several changes in the operation of the business: to turn down the volume of the music, discontinue music on the patio, hire additional security guards and have them wear similar clothing so they could be identified more easily, use a security wand on customers upon entry, change the music format (no rap music), and secure the patio area with a larger fence. Either at this meeting or in an earlier meeting with

DSI, the Licensee also agreed to refuse entry after 1:00 a.m. to new customers on a voluntary basis for 30 days. [18]

- On the night and early morning of October 13-14, 2007, Commander Tina McNamara stopped at the Luxor Lounge several times to determine whether the owners had made the changes promised at the community meeting. She stopped there at about 10:20 p.m. because she could hear loud music coming from inside the building while she was still inside her squad car. She entered the bar and told the disc jockey to turn down the volume and the bass. The disc jockey turned down the volume, but the volume was turned up again after she went outside. Between 11:00 a.m. and 2:00 a.m. Commander McNamara observed no uniformed security in the parking lot. She did observe two men leave the bar carrying alcohol they had purchased inside. Both identified themselves as being members of the band playing there that night. One of them threw his drink onto the ground when he noticed police approaching him; the other was drinking whiskey out of a shot glass. She issued a citation for public consumption to the band member drinking out of the shot glass. She saw a male urinating against a corner of the patio. This person was cited for urinating in public. She observed people bringing containers from their cars into the bar, and she observed people bringing glass containers from inside the bar outside onto the patio. Officers cited numerous people in the parking lot for having an open bottle in a motor vehicle.[20]
- 16. On December 13, 2007, the City issued to the Licensee a Notice of Violation pertaining to the incidents described above on September 26 and September 29-30, 2007. At that time, DSI recommended that the City Council impose a \$500 penalty and add or revise the following conditions to the license:

(Revision) The license holder is responsible for behavior of all persons on the premises, which includes persons on the patio and in the parking lot. License holder shall provide security to patrol the exterior of the premises between the hours of 8:00 p.m. and 2:30 a.m. or until all persons have left the premises whichever is later. License holder or security shall immediately notify police of any individuals engaging in unlawful behavior or suspected unlawful behavior including loitering.

No patrons shall be admitted to the establishment after 1:00 a.m. Any patron leaving the establishment after 1:00 a.m. shall not be re-admitted for any reason.

There shall be no sale, consumption or display of alcohol on the patio after 11:00 p.m.

There shall be no sale of alcoholic beverages after 2:00 a.m. and licensee shall ensure that all patrons have left the premises no later than 2:30 a.m.

- 17. The proposed conditions are intended to address the problems reported to police and DSI by residents in the neighborhood.
- 18. On December 18, 2007, the Licensee requested a hearing on the alleged violations. [22]
- 19. On March 6, 2008, the City issued an Amended Notice of Violation that added the incidents described above on the night of October 13-14, 2007, recommended the same conditions, and increased the proposed penalty to \$1,000.00. The hearing was scheduled to take place on March 27, 2008.
- 20. The hearing was rescheduled, based on the Licensee's request, to take place on May 16, 2008. [24]

Based on these Findings of Fact, the Administrative Law Judge makes the following:

CONCLUSIONS

- 1. The Administrative Law Judge and the St. Paul City Council have authority to hear this matter pursuant to St. Paul Legislative Code § 310.05(c).
- 2. The hearing in this matter was conducted in accordance with the applicable portions of the procedures set forth in section 310.05 of the St. Paul Legislative Code.
- 3. The City gave proper notice of the hearing in this matter and has fulfilled all procedural requirements of rule or law.
- 4. The City has the burden of proving by a preponderance of the evidence that adverse action is warranted against the licenses held by International Network Association, Inc., d/b/a Luxor Lounge.
- 5. The St. Paul City Council may take adverse action against any or all licenses or permits, licensee or applicant for a license, on the basis that the licensee or applicant has failed to comply with any condition set forth in the license or has violated any of the provisions of any statute, ordinance or regulation reasonably related to the licensed activity. [25]
- 6. The City Council may also take adverse action against a license if the licensed business, or the way in which such business is operated, maintains or permits conditions that unreasonably annoy injure or endanger the safety, health, morals, comfort or repose of any considerable number of members of the public. [26]
- 7. Adverse action includes the imposition of a fine or the imposition of conditions upon a license. The City may impose reasonable conditions on a license for the purpose of promoting public health, safety and welfare, of

advancing the public peace and the elimination of conditions or actions that constitute a nuisance or a detriment to the peaceful enjoyment of urban life, or promoting security and safety in nearby neighborhoods. Reasonable conditions may include a limitation on the hours of operation or on the particular types of activities conducted in the establishment, a limitation or restriction as to the location within the establishment where particular activities may be conducted, or any other reasonable condition limiting the operation of the licensed business to ensure that the business will harmonize with the character of the area in which it is located, or to prevent the development or continuation of a nuisance. [29]

- 8. St. Paul Legislative Code § 409.07(c) precludes the after-hours consumption or display of alcohol.
- 9. The City demonstrated by a preponderance of the evidence that on September 26, 2007, the Licensee permitted the after-hours consumption of alcohol.
- 10. Minn. Stat. § 340A.504, subd. 2 (2006), precludes the sale of intoxicating liquor between the hours of 2:00 a.m. and 8:00 a.m. on days when alcohol may be sold.
- 11. The City demonstrated by a preponderance of the evidence that after 2:00 a.m. on September 29, 2007, the Licensee sold intoxicating liquor.
- 12. Condition #5 of the License requires the Licensee to have security to patrol the exterior of the premises on a regular basis between the hours of 8:00 p.m. and 2:00 a.m. to prohibit loitering.
- 13. The City proved by a preponderance of the evidence that on October 13, 2007, the Licensee failed to have sufficient security patrolling the exterior of the premises between 8:00 p.m. and 2:00 a.m. to prevent loitering.
- 14. St. Paul Legislative Code § 409.26(b)(9) requires Licensees to take reasonable steps to stop persons from leaving the premises with alcoholic beverages.
- 15. The City demonstrated by a preponderance of the evidence that on October 13, 2007, the Licensee failed to take reasonable steps to stop persons from leaving the premises with alcoholic beverages.
- 16. Adverse action is justified because the Licensee has failed to comply with a condition of the license; has violated provisions of a statute, ordinance or regulation reasonably related to the licensed activity; and has permitted conditions that unreasonably annoy injure or endanger the safety, health, morals, comfort or repose of any considerable number of members of the public.

- 17. Section 409.26 of the St. Paul Legislative Code, applicable to liquor licenses, contains a penalty matrix that sets out presumptive penalties for specific offenses in connection with the sale of intoxicating liquor, including after hours display or consumption of alcohol. The occurrence of multiple violations shall be grounds for departure from such penalties in the council's discretion.
- 18. Pursuant to § 409.26 of the St. Paul Legislative Code, this would be the Licensee's first appearance for listed violations. The presumptive penalty is \$500 for a first appearance not involving multiple violations.
- 19. The City's recommendation to impose a fine in the amount of \$1,000.00 is reasonable because multiple violations have been found.
- 20. The proposed license conditions are a reasonable response to the problems experienced on the licensed premises. The Administrative Law Judge has made some suggestions with regard to the wording of those conditions in the attached Memorandum.

Based upon these Conclusions, and for the reasons explained in the Memorandum attached hereto, the Administrative Law Judge makes the following:

RECOMMENDATION

It is respectfully recommended that the St. Paul City Council take adverse action against the licenses held by International Network Association, Inc., d/b/a Luxor Lounge.

Dated: June 9, 2008

s/Kathleen D. Sheehy

KATHLEEN D. SHEEHY Administrative Law Judge

Reported: Digitally recorded,

No transcript prepared

NOTICE

This report is a recommendation, not a final decision. The St. Paul City Council will make the final decision after reviewing the record and may adopt, reject or modify the Findings of Fact, Conclusions and Recommendation contained herein. Pursuant to Section 310.05 of the St. Paul Legislative Code,

the City Council's final decision shall not be made until this Report has been made available to the parties to the proceeding and the Licensee has been provided an opportunity to present oral or written arguments alleging error on the part of the Administrative Law Judge in the application of the law or the interpretation of the facts and an opportunity to present argument relating to any recommended adverse action. The Licensee and any interested parties should contact Shari Moore, Saint Paul City Clerk, 290 City Hall, 15 West Kellogg Boulevard, St. Paul, MN 55102, to ascertain the procedure for presenting argument.

MEMORANDUM

The Administrative Law Judge has concluded that the City proved the individual violations alleged in the Amended Notice of Violation by a preponderance of the evidence. On September 26, 2007, the police officer testified that when he arrived at 2:00 a.m., more people were entering the bar than were leaving it, and the parking lot was full until 2:45 a.m., when patrons began to leave. Although this evidence is slim, it permits the reasonable inference that patrons were permitted to drink past the 2:30 a.m. deadline allowed by the City policy. The officer also testified that when he entered the bar at about 2:15 a.m. on September 29, 2007, many patrons had full glasses or bottles of alcohol, and he saw an after-hours sale take place. Although the Licensee strongly denied ever making an after-hours sale, she admits the officer discussed the sale with her the next day, which prompted her to contact the City to obtain clarification of the City's policy on hours of sale, display, and consumption. Based on the record as a whole, this evidence is sufficient to show the violation occurred.

The Licensee also maintains that on October 13, 2007, it did not fail to have sufficient security patrolling the exterior of the premises between 8:00 p.m. and 2:00 a.m. to prevent loitering. Its security guard testified that he patrols the exterior once or twice an hour on weekend nights. He also testified that he was not working the nights of September 29 or 30, and he did not recall if he was there the night of October 13, 2007. Even assuming someone else patrolled the exterior once or twice per hour on those nights, this is clearly insufficient to deter the loitering that took place. The purpose of this license condition is to minimize the noise, traffic, and disruption occurring in the parking lot. The security guards are obligated not just to patrol, but to encourage people to either enter the bar or to leave the premises promptly, without disturbing neighbors. If the Licensee had policies that more strongly encouraged patrons to leave in an orderly manner by 2:00 a.m., it may not have been necessary at 2:20 or 2:30 a.m. for police squads to encourage their departure in a more intrusive manner.

The Licensee's main argument concerning the allegation that it failed to take reasonable steps to stop persons from leaving the premises with alcoholic beverages is that Commander McNamara did not see the band member exit the Luxor Lounge with a drink in hand. This is true. She did, however, see him

inside the bar, and when she saw him outside the bar, he was holding a glass similar to the glasses used at the Luxor Lounge. In addition, he admitted to her that the drink was from the Luxor Lounge. This evidence is sufficient to prove the violation.

More important that any individual violation, however, is the conclusion that adverse action is justified here because the Licensee permits conditions that unreasonably annoy, injure, or endanger the safety, health, morals, comfort or repose of any considerable number of members of the public. The Administrative Law Judge believes that the Licensees are hard-working business owners who are trying to survive financially in difficult times. The Administrative Law Judge also concurs with the testimony of Sgt. Kane, who believes that the Licensees have attempted to improve the operation of their business, but have been overwhelmed with the magnitude of the issues confronting them. The Licensees must understand, however, that unless they control the behavior of their customers, in the parking lot as well as the interior of the bar, and unless they operate in a manner that is respectful of the neighborhood, they will not survive as a licensed business.

The Licensees believe whole-heartedly that police and neighborhood harassment of their customers is responsible for many of the issues in the parking lot. They also appear to believe that they are being blamed for many issues that are attributable to the customers of Malina's, the other bar that operates nearby. The Administrative Law Judge has found no evidence in the record, however, that the disruptive conduct at issue here is attributable to customers of Malina's. And although the police and neighbors have arguably "harassed" the patrons of Luxor Lounge by making the parking lot the focus of sustained police attention, this attention does not appear to be racially based but is rather an understandable response to the disrespectful conduct that has occurred there. No neighborhood should have to tolerate the conduct that has occurred in or near the parking lot of the Luxor Lounge.

The City has proposed revised or additional conditions on the license to address the problems described in this Report. One of the proposed conditions is:

(Revision) The license holder is responsible for behavior of all persons on the premises, which includes persons on the patio and in the parking lot. License holder shall provide security to patrol the exterior of the premises between the hours of 8:00 p.m. and 2:30 a.m. or until all persons have left the premises whichever is later. License holder or security shall immediately notify police of any individuals engaging in unlawful behavior or suspected unlawful behavior including loitering. [33]

The Administrative Law Judge agrees that, in general, it would be reasonable to impose a condition that reinforces the Licensee's obligation to

address behavior on the patio and in the parking lot and to require security until all customers have left the parking lot. The Administrative Law Judge is concerned, however, that the italicized language above is vague and would be difficult to enforce. The reference to "suspected unlawful behavior including loitering" is confusing, because it suggests the Licensee must report only "unlawful" loitering, whereas the conduct that may occur in the parking lot after closing time may be disruptive and noisy but not necessarily unlawful. For example, the St. Paul Legislative Code defines the crime of loitering after midnight as follows: "No person shall loiter about the streets after midnight and lie in wait or concealment in said City of Saint Paul, or consort with thieves, prostitutes or other questionable characters."[34] State law prohibits loitering with intent to participate in prostitution. [35] Instead of leaving it up to the Licensee to determine what behavior is lawful and what is not, at the risk of being wrong, the City might want to either delete this sentence or, in the alternative, require that patrons leave the parking lot by a particular time, and if they fail to do so, require that the Licensee call the police for help in clearing the lot.

In addition, the City might want to clarify the condition concerning admittance after 1:00 a.m. to the "establishment." The record reflects that the police are concerned about the security of the patio and the fact that people in the parking lot, who have not gone through security, can pass objects or drinks to persons on the patio, and vice versa. In addition, police have questioned why the Licensee permits people to go back and forth after 1:00 a.m. from the patio to the bar. If this condition is intended to mean that anyone who goes onto the patio after 1:00 a.m. may not re-enter, the City should expressly say so to avoid any confusion.

K.D.S.

^[1] Ex. 1.

^[2] Ex. 2.

^[3] Minn. Stat. § 340A.504, subd. 2 (2006).

^[4] St. Paul Legislative Code § 409.07.

^[5] Testimony of Kristina Schweinler.

^[6] Testimony of Dao Hoang; Testimony of Diem Nguyen; Ex. C.

The St. Paul City Council revoked the licenses of Diva's Overtime Lounge in August 2007.

^[8] Test. of D. Hoang; Test. of D. Nguyen.

^[9] Testimony of Commander Tina McNamara.

^[10] Ex. C.

Testimony of Sgt. Kane.

Testimony of Christa Sullivan.

^[13] Ev 3_1

^[14] Testimony of Officer Adam Bailey; Ex. 3-4.

Test. of Officer A. Bailey, Ex. 3-3.

^[16] Ex. 3-3 to 3-4.

^[17] Ex. A.

- [18] Test. Commander T. McNamara.
- [19] Ex. 4-4.
- [20] Test. Commander T. McNamara: Ex. 4.
- ^[21] Ex. 5.
- ^[22] Ex. 6.
- Ex. 7. The Amended Notice of Hearing also alleged that a violation of license condition #4 occurred on October 13, 2007. This condition requires the license holder to pick up all refuse and trash on the premises and surrounding sidewalks by noon each day. At the outset of the hearing, the City withdrew this alleged violation.
- ^[24] Ex. 8.
- St. Paul Legislative Code § 310.06 (b)(5) & (b)(6)(a); see also § 409.12 (any license or permit under this chapter may be suspended for up to 60 days or revoked or a civil fine imposed not to exceed two thousand dollars (\$2,000.00) for each violation on a finding by the council that the license or permit holder has failed to comply with an applicable statute, rule or ordinance relating to alcoholic beverages).

 [26] St. Paul Legislative Code § 310.06(b)(8).
- St. Paul Legislative Code § 310.01.
- St. Paul Legislative code § 310.06(c).
- St. Paul Legislative Code § 310.06(c).

 St. Paul Legislative Code § 409.26(b).
- [31] *Id.* § 409.26(c).
- [32] Testimony of Eric Mirtica.
- [33] Emphasis added.
- St. Paul Legislative Code § 280.06.
- [35] Minn. Stat. § 609.3243 (2006).